6TH GLOBAL PENSION & SAVINGS CONFERENCE

SESSION 6 - INVESTMENTS IN PRACTICE: FROM BROAD INVESTMENT STYLES TO PRACTICAL INFRASTRUCTURE PROJECTS

APRIL 2014
What are Infrastructure Funds?

- No uniform definition of infrastructure

- Infrastructure investing covers a wide range of different project types with different risk-return profiles
  - Industry sectors
  - Stage of development
  - Leverage
  - Elasticity of demand
  - Political risk
WHAT ARE INFRASTRUCTURE FUNDS?

• No clearly established fund standard
  ➢ Traditional PE fund structures with 10-year maturities
  ➢ Open-ended or evergreen structures
  ➢ Hybrid structures
  ➢ Pricing of infrastructure funds
  ➢ Co-investments

• The fund market is still in the early stage of its development
  ➢ “One size will not fit all”
WHAT ARE INFRASTRUCTURE FUNDS?

• The options that are available to fund investors are determined by what is available in the fund market
  ➢ Fund offerings may not yet fully reflect the needs of institutional investors

• Similarities among funds in the market:
  ➢ Most are focused on developed countries
  ➢ Many sponsored vehicles – but strong growth in number of independent managers
  ➢ Limited track record – many first or second time funds
  ➢ Brownfield investment strategies
  ➢ Predominantly private equity type closed-ended funds
WHAT ARE INFRASTRUCTURE FUNDS?

Infrastructure Assets under Management by Fund Primary Geographic Focus as of June 2013

Unlisted Infrastructure Dry powder by Fund Primary Geographic Focus

Source: Preqin Global Infrastructure Report
WHAT ARE INFRASTRUCTURE FUNDS?

Breakdown of Infrastructure Fund Managers by Number of Funds Managed

- 1 Fund: 61%
- 2-3 Funds: 28%
- 4-7 Funds: 10%
- 8 or More Funds: 1%

Source: Preqin Global Infrastructure Report

Breakdown of Aggregate Capital Targeted by Unlisted Infrastructure Funds in Market by Fund Manager Experience

- First-Time Fund Manager: 31%
- 1-2 Funds Raised Previously: 26%
- 3 or More Funds Raised Previously: 44%

Source: Preqin Global Infrastructure Report
WHAT ARE INFRASTRUCTURE FUNDS?

Breakdown of Infrastructure Fund Managers by Location of Headquarters

Europe: 42%
North America: 28%
Asia: 13%
Latin America: 6%
Australasia: 4%
Africa: 4%
Middle East & Israel: 3%

Source: Preqin Global Infrastructure Report
WHY USE INFRASTRUCTURE FUNDS?

• Private infrastructure is still an inefficient market, which provides for active management opportunities

• Active management requires specialist skills, access, portfolio management

• Fund manager focus on value creation

• Investor considerations
  ➢ Governance
  ➢ Diversification
  ➢ Limited internal resources and reach
WHO INVESTS IN INFRASTRUCTURE FUNDS?

Investors by Location

- North America: 41%
- Europe: 34%
- Asia: 15%
- Rest of World: 10%

Investors by Type

- Private Sector: 19%
- Public Pension: 16%
- Insurance: 10%
- Foundations: 8%
- Asset Managers: 6%
- Endowment: 6%
- Fund of Funds: 6%
- Investment: 4%
- Wealth: 4%
- Family Offices: 4%
- Superannuation: 3%
- Government: 3%
- Sovereign: 2%
- Other: 5%

Source: Preqin Global Infrastructure Report
INFRASTRUCTURE FUNDS ARE INTRIGUING, BUT...

- You need to define the objectives for the infrastructure asset allocation
- Make sure that the objectives can be fulfilled by the investable universe
- Match your investment ambitions with your resources
- You should have sufficient industry knowledge and resources to due diligence fund managers and assess the proposed investment strategies
- Select managers that match your objectives
- Make sure that the interests are aligned
- Manage the portfolio
Infrastructure Funds Are Intriguing, but...

What do Infrastructure Investors look for per Preqin Survey:

- Manager Experience: 80%
- Strategy: 62%
- Past Performance: 48%
- Alignment of Interests: 38%
- Size of Fund Manager: 20%
- Other: 38%

Source: Preqin Global Infrastructure Report
### The IFC Global Infrastructure Fund ("GIF")

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<th><strong>Fund Size</strong></th>
<th>• Fund size of US$1.2 billion</th>
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| **Co-investment with IFC** | • 50% of every eligible IFC investment over $20m is offered to GIF  
• Formula for sharing among IFC AMC funds |
| **Term & Return** | • 12 years; 5 year investment period  
• Target gross IRR of 18-20% |
| **Regions** | • Global focus covering all IFC regions |
| **Sectors** | • Power, transportation, logistics and storage, utilities and pipelines, telecommunication, urban infrastructure, infrastructure service companies |
WHY DID INVESTORS INVEST IN GIF?

**COST-EFFICIENT SCALE AND DIVERSIFICATION**
- Proven ability to generate proprietary deal-flow in emerging markets globally
- Ability to build diversified global portfolio in a cost efficient manner

**STRONG INVESTMENT TRACK RECORD**
- Multiple of 2.1x achieved across 151 investments in GIF focus infrastructure sectors since 2002
- GIF investment sectors include power, transportation, utilities, telecoms, urban infrastructure and infrastructure service companies
- Ability to identify emerging investment themes early

**DEPTH OF INDUSTRY AND COUNTRY KNOWLEDGE**
- IFC has over 100 offices in 85 emerging countries and approximately 190 dedicated infrastructure investment professionals in 20 countries
- In-house technical, environmental and legal experts
- The manager, IFC Asset Management Company, LLC (AMC), will have a dedicated fund team of senior infrastructure investment professionals
GIF INVESTORS

Breakdown by Investor Type

- Pension Fund: 37%
- IFC: 17%
- Sovereign Wealth Fund: 40%
- Bank: 6%

Breakdown by Region

- Asia: 35%
- GCC: 15%
- Europe & Central Asia: 29%
- International: 21%

Source: IFC AMC